



**Date:** October 3, 2022

**To:** Wanda S. Page, City Manager  
**Through:** Bertha T. Johnson, Deputy City Manager  
**From:** Tim Flora, Chief Financial Officer  
**Subject:** Interlocal Agreement with Durham County for Joint Funding of the Low Income Homeowner's Relief Program (LIHRP)

### **Executive Summary**

In FY22, City Council approved funding for a new homeowner's tax grant program developed by Durham County to help long-term homeowners remain in their homes. The Low Income Homeowner's Relief Program (LIHRP) is for residents meeting certain Area Median Income (AMI) requirements as defined by the U.S. Department of Housing and Urban Development (HUD). The City agreed to fund up to \$500,000 in grants and cover 50% of the County's administrative costs. Total grants provided in FY22 was 177 with total City costs being \$159,258.

The program was again funded by City Council in the FY23 budget at the FY22 level. This agenda item is to allow the City Manager to execute the second-year interlocal agreement with Durham County under similar terms and modified AMI requirements.

### **Motion**

To resolve that the City Manager be authorized to execute an interlocal agreement with Durham County for the Low Income Homeowner's Relief Program (LIHRP); and

To approve that the interlocal agreement with Durham County is not to exceed \$500,000 in program grants and \$96,060 of administrative cost reimbursements.

### **Background**

The Durham County Department of Social Services (DSS) worked in partnership with the Durham County Tax Office and the Durham County Board of Commissioners to develop and operationalize a property tax subsidy program targeted to help long-term homeowners remain in their homes through a tax grant program. The model was based on the Mecklenburg County Homeowners with Economic Support (HOMES) Program, which was established in 2020.

Residents of Durham County and the City of Durham are eligible for the Low Income Homeowner's Relief Program if they meet Average Median Income (AMI) criteria defined below. Other requirements include:

- Property must be within Durham County.
- Residents who are not receiving other tax assistance subsidies (such as the NC Homestead Exclusion) are eligible to apply for LIHRP.
- Homeowners must have owned and used the property as a primary residence for at least the immediately preceding five years prior to applying for LIHRP.

- Assistance is capped at 50% of the current fiscal year tax invoice on the last available tax bill (whichever is less, per applicant) not to exceed the following:
  - \$1000 for households with incomes ≤ 61- 80% AMI
  - \$1250 for households with incomes ≤ 31- 60% AMI
  - \$1500 for households with incomes ≤ 30%- below AMI
- Recipients must re-apply annually for continued assistance.

In FY22 and the first year of the program, the County expended a total of \$338,072 in grants and administrative costs. The City’s portion was \$159,258. The program is anticipated to grow in FY23, and the County recommends maintaining the original FY22 funding levels. Durham County allocated \$750,000 for grants and expects to spend \$96,060 on administrative costs. The City appropriated \$500,000 for grant awards and will pay up to \$96,060 for its share of administrative costs.

**Issues and Analysis**

With the growing costs of homeownership and inflation impacts on low-income homeowners, Durham County identified a strategy to help long-term homeowners. The strategy provides financial relief with property tax bills to those most vulnerable. While the program supports an actual county/city property tax liability, the services are historically operationalized through a Department of Social Services or other human services agency to prevent conflicts and liability/risks for tax administration departments. As a pilot program, DSS agreed to test this program with the support of its Social Services Board, Durham County and the City of Durham.

While the amount of grant funds expended in the pilot year was less than anticipated, the program served 177 households with the majority receiving the maximum allotment of \$750 in property tax relief. The program should see significant growth in the current fiscal year now that DSS has a sound infrastructure in place and a year of program exposure. As well, grants criteria were modified in FY23 to increase participation. Two significant criteria requirements are:

1. Ownership of primary residences was reduced to five years from ten years in FY22.
2. Three AMI tiers were added with maximum assistance increasing to \$1500 from \$750 in the prior year.

**Alternatives**

The City Council could choose not to approve the item.

**Financial Impact**

\$500,000 was included in the FY23 budget.

**Equal Business Opportunity Summary**

This item is an interlocal agreement and does not require review by the Finance Department Underutilized Business Compliance Division for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

**Contractor Workforce Diversity & Hiring Practices**

Due to the nature of this agenda item, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable.

**Attachment**

LIHRP INTERLOCAL

